
June 2002

TAX ADMINISTRATION

New Compliance Research Effort Is on Track, but Important Work Remains



Report Documentation Page

Report Date 00JUL2002	Report Type N/A	Dates Covered (from... to) - -
Title and Subtitle TAX ADMINISTRATION: New Compliance Research Effort Is on Track, but Important Work Remains		Contract Number
		Grant Number
		Program Element Number
Author(s)		Project Number
		Task Number
		Work Unit Number
Performing Organization Name(s) and Address(es) U.S. General Accounting Office 441 G Street NW, Room LM Washington, D.C. 20548		Performing Organization Report Number GAO-02-769
Sponsoring/Monitoring Agency Name(s) and Address(es)		Sponsor/Monitor's Acronym(s)
		Sponsor/Monitor's Report Number(s)
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes		
Abstract see report		
Subject Terms		
Report Classification unclassified		Classification of this page unclassified
Classification of Abstract unclassified		Limitation of Abstract SAR
Number of Pages 31		

Contents

Letter		1
Results in Brief		2
Background		4
Scope and Methodology		5
NRP's Design and Major Components		7
NRP Is on Track To Meet Objectives, but Critical Cadre Development and NRP Testing Steps Remain		13
Conclusions		19
Recommendations for Executive Action		20
Agency Comments		20
Appendix I	GAO Products Related to Measuring Voluntary Compliance	22
Appendix II	NRP Sample	23
Appendix III	Comments from the Internal Revenue Service	26
Table		
	Table 1: National Research Program Sample Design	24
Figure		
	Figure 1: Estimated NRP Sample by Level of Taxpayer Contact	11
<hr/> Abbreviations		
EITC	Earned Income Tax Credit	
GPRA	Government Performance and Results Act	
IRS	Internal Revenue Service	
NRP	National Research Program	
RGS	Report Generation Software	
TCMP	Taxpayer Compliance Measurement Program	



United States General Accounting Office
Washington, DC 20548

June 27, 2002

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Minority Member
Committee on Finance
United States Senate

The U.S. tax system is based on taxpayers voluntarily complying with the tax laws. However, the Internal Revenue Service (IRS) last measured taxpayers' rate of compliance with the tax laws using 1988 tax returns. IRS uses the compliance rate to help understand the effectiveness of its programs to promote and enforce compliance. IRS also uses the information from its compliance studies as the basis for its audit selection formulas. The intent of the formulas is to target noncompliant returns for audits while avoiding audits of compliant returns. As time has passed since the last compliance study, IRS has become concerned that its ability to understand the effectiveness of its programs and target audits on noncompliant returns has deteriorated, potentially resulting in poorer service to taxpayers, reduced confidence in the fairness of the tax system, and unnecessary audits of compliant taxpayers.

IRS has not conducted more recent studies of compliance because of concerns about the burden such studies impose on taxpayers. Past compliance studies relied on intensive, line-by-line audits of a randomly selected sample of tax returns. A study proposed in 1994 would have included about 150,000 taxpayers in the sample. Taxpayers, Congress, and the media all criticized the proposal because of the demands that would have been placed on compliant taxpayers to produce records verifying every line of their tax returns.

Recognizing the need for current compliance data, IRS is now planning a new compliance study called the National Research Program (NRP). As we reported earlier this year, NRP is intended to produce compliance data

useful for management and targeting of enforcement audits while minimizing the burden on taxpayers selected for the study.¹

In order to identify potential design or implementation problems with NRP, you asked us to assess IRS's plans for the program. Accordingly, this report (1) describes NRP's overall design and major components and (2) assesses whether it is likely to produce the compliance data IRS needs, be conducted in a manner that minimizes taxpayer burden, and be successfully implemented.

To describe and assess IRS's plans to measure compliance and assess its progress towards implementing those plans, we reviewed documents describing NRP in general and documents related to specific program elements. We also held frequent discussions with the IRS officials designing the program. We examined IRS's plans to conduct NRP and compared them to IRS's own objectives, government program planning principles, and general research design guidance. As NRP was largely still under development throughout the time of our review and key documents were still in draft at the time this report was prepared, our assessment of NRP should be considered preliminary, pending the program's final design. The NRP descriptions and other information in this report were current as of May 2002.

Results in Brief

NRP is designed to review about 49,000 individual tax returns randomly selected from the population of over 129 million such returns (Form 1040s). According to the NRP plan, IRS will review each sampled return to determine whether the taxpayer has complied with statutory income, expense, and tax reporting requirements. Unlike past compliance studies, not all of the reviews will include contacting taxpayers. The reviews will be conducted by specially trained IRS examiners who will first use IRS and third-party databases to verify as much information as possible on the sampled returns. IRS estimates that it will be able to verify the information on about 8,000 of the sampled returns without contacting taxpayers. For line items that could not be verified from available databases, IRS will ask taxpayers for supporting information. IRS estimates that about 9,000 of these contacts will cover one or two simple issues and be handled through correspondence. The remaining contacts will require face-to-face audits

¹ U.S. General Accounting Office, *Tax Administration: Continued Progress Modernizing IRS Depends on Managing Risks*, GAO-02-715T (Washington, D.C.: May 14, 2002).

but, unlike past compliance studies, most of these audits will cover only lines IRS was unable to otherwise verify. Generally, the face-to-face audits will involve self-employed and high-income taxpayers. To determine and correct any bias resulting from its plan not to subject all sampled returns to audits, IRS plans to conduct full line-by-line audits of 1,683 returns in the NRP sample.

Based on our assessment of NRP in light of government guidance on performance measurement and data reliability, research design guidelines, and IRS's goals for the program, we found that NRP's design is likely to yield the sort of detailed information that IRS needs to measure overall compliance, develop formulas to select likely noncompliant returns for audit, and identify compliance problems for the agency to address. The sample is adequately sized for these tasks, and IRS has designed NRP processes and procedures in such a way that they are likely to meet the goals the agency has set for NRP. IRS has included quality checks in NRP and has developed a plan for using the data that NRP generates.

One key goal for IRS has been to minimize the burden that NRP poses for the 49,000 taxpayers with returns in the sample. IRS's plan meets this goal by eliminating the need for some taxpayers to be contacted at all, by limiting the amount of information other taxpayers will have to provide to verify the information on their returns, and by limiting the scope of most of the audits that will be carried out under NRP. IRS's proposal to develop a specially trained cadre of examiners to carry out NRP audits will also, if implemented, serve to minimize the burden on taxpayers.

IRS has made substantial progress towards fully implementing NRP later this year, though important tasks remain. Although IRS may not meet its scheduled October 1, 2002, date for the start of taxpayer contacts under NRP, extending that date to later in the year will not likely cause problems for the program as a whole, according to IRS officials. IRS has completed work on both the NRP sample and most of the procedures the program will employ. However, IRS may not have given itself enough time to complete several important steps before determining which returns need to be audited and the level of audit needed. These steps include testing and modifying NRP procedures and selecting the cadre of examiners to carry out NRP. Accordingly, we are recommending that IRS complete testing of NRP procedures before training the NRP cadre, determining the scope of audit needed, if any, or making any taxpayer contacts. We are also recommending that IRS select and appropriately train the cadre of examiners before starting to determine which returns to audit.

In written comments from the Commissioner of Internal Revenue and subsequent discussions with IRS's Director of Research, Analysis and Statistics, IRS agreed with our recommendations. IRS's comments are discussed later in this report. The Commissioner's letter is reprinted in appendix III.

Background

The Government Performance and Results Act (GPRA) of 1993 requires federal agencies to establish measures to determine the results of their activities. Such measures are a prerequisite for making informed decisions on allocating scarce resources to areas likely to attain results that advance the agency's mission and achieve its goals. One of IRS's strategic goals is to ensure taxpayer compliance, but the agency lacks current measures of taxpayers' voluntary compliance. Having such measures would give IRS an understanding of current compliance levels and help to identify steps that are likely to lead to improved compliance.

There are three types of voluntary compliance measures: filing compliance, which measures the percent of taxpayers who file returns in a timely manner; payment compliance, which measures the percent of tax payments that are paid in a timely manner; and reporting compliance, which measures the percent of actual tax liability that is reported accurately on returns. Although IRS's NRP plans include reviews of all three types of compliance, the majority of their efforts have been devoted to the development of reporting compliance measurement procedures. Reporting compliance is also the only aspect of NRP that will include audits of taxpayers.

For many years, IRS has periodically used random audits of tax returns to measure the level of voluntary reporting compliance. However, IRS last measured voluntary reporting compliance over a decade ago when it did line-by-line audits of about 50,000 individual tax year 1988 tax returns. IRS planned to measure reporting compliance using 1994 returns in an ambitious effort involving over 150,000 randomly selected returns, including 92,000 individuals (including sole proprietorships and farmers) as well as corporations, partnerships, and S-corporations. Before beginning the audit process, however, IRS cancelled the study because of its cost and because of criticism from Congress, the media, tax community, and taxpayers about the size of the sample and the burden imposed by the audits on compliant taxpayers.

IRS's compliance research studies provided more than just a measure of voluntary compliance. They have also been used by IRS to identify

compliance trends and to allow IRS to suggest changes in tax laws and regulations to improve voluntary reporting compliance.

Voluntary reporting compliance study results have also been the basis for formulas to help IRS select returns for enforcement audits. IRS conducts hundreds of thousands of enforcement audits each year as part of its overall enforcement efforts. Unlike compliance study audits, enforcement audits are not random. IRS targets enforcement audits on likely noncompliant returns—those returns with a high probability that an audit would detect improperly reported tax liability. According to IRS, return selection formulas—first used to select 1968 tax returns for audit—have reduced the number of audits that resulted in no change to tax liability. No change enforcement audits are a burden on compliant taxpayers and use scarce IRS resources. In the year before the formulas were first used, the no change rate was 46 percent. For returns filed in 1994, the no change rate was about 19 percent. These formulas were last updated using 1988 tax return data, however, and as they become more out of date, the percentage of formula-identified enforcement audits resulting in no change has increased. IRS reports that 24 percent of enforcement audits of 1998 returns resulted in no change, and the agency projects that this rate will grow to 27 percent for returns filed in 2005.

We have previously reported on the need for IRS to conduct new compliance research. In 1996, we recommended that IRS develop a cost-effective, long-term strategy to ensure the continued availability of reliable compliance data and reiterated the need for new compliance research studies in subsequent reports and testimonies. (See app. I for a list of reports we have issued relating to compliance measurement.) Others, including the IRS Commissioner and the IRS Oversight Board, recognize the need for IRS to measure voluntary compliance. The IRS Commissioner has said that measuring voluntary compliance is a critical part of IRS's overall organizational transformation. In its fiscal year 2001 annual report, the IRS Oversight Board supports the National Research Program and requested congressional support for the program.

Scope and Methodology

To describe NRP, we have been in frequent contact with representatives of IRS's NRP Office and other IRS officials as they have designed the program and planned for its implementation. We reviewed IRS's draft prospectus and the detailed plans that act as a blueprint for the NRP processes and components. These documents describe the program's objectives and the steps needed to implement the program. We also received briefings from the program's designers and discussed the

program with other IRS officials, including representatives of the Office of Research and the Large and Mid-Sized Business, Small Business/Self Employed, and Wage and Investment operating divisions. The NRP descriptions and other information in this report were current as of May 2002.

We assessed NRP's design and progress towards implementation in light of several criteria. We considered how well NRP addresses government guidance on performance measurement and data reliability. GPRA, for example, requires agencies to establish meaningful performance goals aligned with their mission and measure progress using sound, objective performance data.² In addition, the Office of Management and Budget issued guidelines in February 2002 that require agencies to ensure that information they generate be objective and reliable.³ We also considered how well NRP meets general research design guidelines, such as GAO's draft guidelines for ensuring the reliability of computer-based data. We also reviewed past taxpayer compliance research efforts and discussed the program with former IRS commissioners. Furthermore, we assessed how well the program meets the design principles IRS has defined, assessed whether NRP appears suited to accomplish IRS's stated objectives for voluntary reporting compliance research, identified key steps in IRS's NRP implementation plans and schedules, and assessed IRS progress towards meeting those milestones. As NRP was largely still under development throughout the time of our review and key documents were still in draft at the time this report was prepared, our assessment of NRP should be considered preliminary pending the program's final design.

At the time of our study, IRS was also having its sample design reviewed by two outside contractors. These reviews were not complete at the time we were preparing this report. In light of these reviews, we did not independently replicate calculations for the overall NRP sample or the sizes of individual strata. With respect to the NRP sample, we held detailed discussions with the IRS officials responsible for developing the sample design and discussed with them the rationale for their decisions regarding

² GPRA and how federal agencies comply with it is described in detail in our report, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

³ *Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies; Notice; Republication*, U.S. Office of Management and Budget, February 22, 2002.

the sample. We also reviewed statistical analyses and other studies done by IRS to justify sample design decisions.

We conducted our work between September 2001 and May 2002 in accordance with generally accepted government auditing standards.

NRP's Design and Major Components

The purpose of NRP is to produce data that IRS can use to measure overall reporting compliance, update existing audit selection formulas, and identify potential ways to improve voluntary compliance. Under NRP, IRS will review randomly selected individual tax returns to determine whether the taxpayer has complied with statutory income, expense, and tax reporting requirements. The major components of the program include (1) a random sample of individual tax returns large enough to meet program objectives; (2) a specially trained cadre of examiners; (3) an assortment of casebuilding tools to verify as many items reported on tax returns as possible without contacting the taxpayer; (4) a tax return classification process for determining the level of audit, if any, a return warrants and which items must be verified; and (5) an examination process that uses structured procedures and managerial reviews. IRS has also developed a data analysis plan that describes how it plans to use the data to address each of the program objectives.

NRP Sample Design and Return Selection

According to IRS, the NRP sample is designed so that the results are representative of the population of individuals and self-employed taxpayers who filed tax year 2001 Form 1040 tax returns. The sample is intended to produce estimates of noncompliance and potential tax change as well as capture differences in reporting compliance levels between this study and subsequent ones.

The NRP sample consists of a total of about 49,000 returns representing the population of about 129 million individual Form 1040 filers.⁴ These filers include sole proprietor business owners who file schedule C (Profit or Loss From Business – Sole Proprietorship) and farmers who file schedule F (Profit or Loss From Farming), as well as taxpayers whose income consists solely of wages and investment income. The NRP sample

⁴ The NRP sample was based on tax year 1999 data with projections of tax year 2001 return population estimates. The NRP sample design shows 124,519,129 Form 1040 returns in tax year 1999 and projects 129,411,510 Form 1040 returns in tax year 2001.

is stratified or divided by type of Form 1040 filer and by income level. The sample includes some substratification of higher-income taxpayers, which was done at the request of the IRS business operating divisions that will be key users of NRP data. The purpose of the stratification is to permit IRS to develop audit selection formulas and other information specific to different types of taxpayers. Returns in each strata will be weighted to make the sample representative of the overall population. See appendix II for a description of the NRP sample.

NRP Cadre Selection and Training

IRS plans to select a cadre of examiners and other staff from its current employees and train them to implement the program. IRS estimates that it will have over 1,000 full-time equivalent staff working on the program during the peak examination phase, which is expected to be in fiscal year 2003. Most of the cadre will consist of revenue agents from the Small Business/Self Employed operating division, but the cadre will also include correspondence examiners from the Wage and Investment operating division.⁵ According to NRP's plans, the cadre will undergo substantial training designed to ensure consistency and quality in NRP implementation. IRS plans state that the extensively trained cadre represents a sizeable investment in human capital and an attempt to develop lasting institutional knowledge for subsequent NRP studies.

NRP Casebuilding Process and Data Sources

The NRP proposal includes using casebuilding tools to aid examiners in determining whether IRS needs to have any contact with taxpayers to verify the accuracy of information reported on their tax returns. The casebuilding tools consist of data from both IRS and third-party sources.

IRS's internal casebuilding tools include return information from the prior 3 years, audit history, payment and filing history, information return data reported by third parties (banks, lending institutions, and others), and bank reports on large cash transactions. Use of these data is intended to rule out compliance issues that can be verified without contacting taxpayers. Casebuilding tools also include data from two third-party sources. The first is ChoicePoint, an external public database containing real estate and other asset ownership information (e.g., motor vehicle registrations and ownership of luxury items like watercraft and aircraft).

⁵ IRS has four business operating divisions: Wage and Investment, Small Business/Self Employed, Large and Mid-Sized Business, and Tax Exempt and Government Entities.

For NRP purposes, ChoicePoint is to enable examiners to confirm basic asset information. The other third-party data source is the Dependent Data Base, which is a combination of Department of Health and Human Services and the Social Security Administration data. These data are to provide custody information that can be used to help determine the validity of dependent and Earned Income Tax Credit (EITC) claims. According to IRS, although information from IRS and other databases will help NRP classifiers determine whether or not a return warrants an audit, the data will only be used to validate return items or identify potential problems and not to make changes to tax liability. IRS officials stressed that NRP-recommended changes to tax liability will always be based on information obtained by audit.

NRP Classification Process

IRS plans for NRP cadre members to use the data compiled during casebuilding to classify the returns in the sample according to the level of audit, if any, they should be given. IRS plans to train about 100 members of the NRP cadre to classify returns according to NRP guidelines. These specially trained staff are to classify returns as either accepted as filed (i.e., all line items are verified without any taxpayer contact) or as needing some form of audit. IRS's preliminary estimates are that about 8,000 returns will be accepted without any taxpayer contact, most of them coming from nonbusiness income returns. For returns needing an audit, classifiers will also specify which line items need verification and determine whether the additional information needs to be obtained through correspondence or a face-to-face audit.⁶

For correspondence examinations, the returns are to contain no more than two simple tax issues, such as those dealing with filing status, exemptions and dependent claims, various tax credits besides the EITC (e.g., education credit, fuel tax credit) and alimony deductions.⁷ IRS's preliminary estimates are that about 9,000 returns will be classified into the correspondence audit category.

⁶ Classification will place returns into one of three categories – accepted as filed, correspondence audit, and face-to-face audit. However, where classifiers identify small discrepancies on the sampled return, the taxpayer will not be contacted through either a correspondence or a face-to-face audit, but the noncompliance will be noted in the NRP database. IRS refers to these returns as accepted as filed with adjustments.

⁷ Generally, EITC-related issues, such as those dealing with filing status and exemptions and dependent claims, are to be considered as one tax issue.

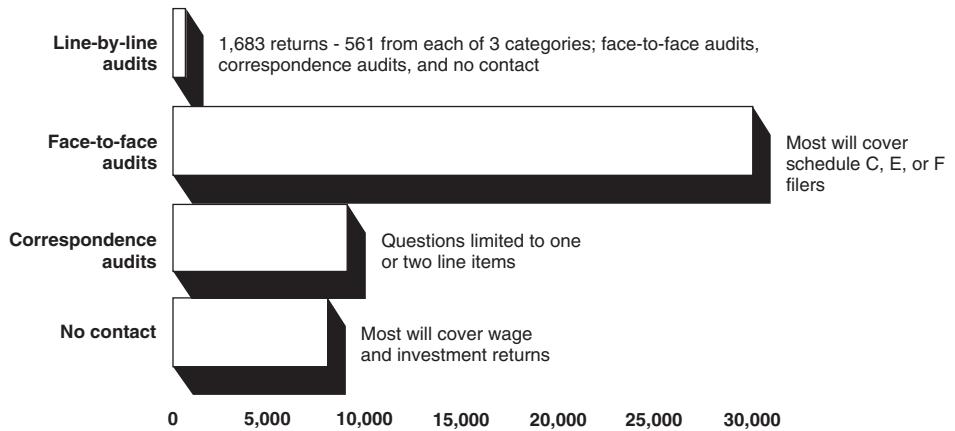
If a classifier determines that some line item information cannot be verified with casebuilding materials or simple correspondence, the line items will be noted on a check sheet along with a brief explanation and sent for a face-to-face audit. IRS will require taxpayers whose returns fall into this category to verify information on their returns in person with an examiner from the NRP cadre. IRS's preliminary estimates are that about 30,000 returns, including most self-employed taxpayers and high-income individuals, will fall into the face-to-face audit category.

IRS plans to have NRP managers review many classification decisions. A supervisory review team will review all "accept as filed" classification decisions throughout NRP. This team will also review a sample of classification decisions indicating the need for an audit.

As part of the classification process, IRS plans to select about 1,683 returns—561 from each of the three classification categories—that would otherwise have been accepted as filed or sent for correspondence or face-to-face audits to undergo intensive line-by-line audits. IRS determined that, since it plans to accept return information as accurate without getting additional information from taxpayers, the study results might misstate compliance levels. Therefore IRS developed this subsample of classified returns to compare NRP study results with what might have been detected by comprehensive line-by-line audits. According to IRS, this is to provide it with some insights as to the accuracy of the casebuilding and classification processes, the bias (if any) introduced by the NRP approach, a basis for correcting any bias in the aggregate NRP measures, and indications of where future studies might be improved. IRS has termed this comparison a "calibration" of the study results.

Figure 1 is a breakdown of the NRP sample by the level of IRS contact that taxpayers with returns in the NRP sample will experience. The number of returns in the face-to-face audit, correspondence audit, and no contact categories are IRS's preliminary estimates and may change based on the results of upcoming tests of NRP processes. The actual number of returns in each of these categories will depend on the results of the NRP classification process. The number of returns to be selected for line-by-line audits, however, has been predetermined and, according to IRS, will not change.

Figure 1: Estimated NRP Sample by Level of Taxpayer Contact



Note: Except for line-by-line audits, numbers are IRS's preliminary estimates.

Source: IRS' NRP office data.

NRP Examination Procedures and Data Collection Mechanism

Returns that cannot be fully verified using casebuilding data will be sent for examination – either through correspondence or face-to-face audits. Correspondence audits will be done with relatively simple returns that have potential underreporting or unverifiable information in one or two areas. In a correspondence audit, IRS will request that the taxpayer send documentation verifying the line items in question.

According to IRS, in many ways, NRP face-to-face audits (with the exception of those in the calibration sample) will resemble IRS's enforcement audits.⁸ Examiners will determine whether the information reported on the return is accurate or adjustments need to be made. If they determine that a taxpayer's tax liability is understated, the additional tax will be assessed. In other ways, however, NRP audits will differ from enforcement audits. For example, examiners use classification check sheets to guide their enforcement audits, but they are not limited to the line items flagged during classification. IRS has established examination guidelines for NRP examiners to follow that require justification to audit unclassified line items. IRS officials have said that these guidelines help ensure that research consistency and the promise of minimizing taxpayer burden are not compromised. IRS officials also say that NRP guidelines will require examiners to record all tax changes, regardless of amount,

⁸ Enforcement audits are targeted on returns where IRS suspects noncompliance, often based on a computerized screening of returns that looks for indicators of noncompliance.

though taxpayers will not be asked to pay additional taxes uncovered by an NRP audit that fall below a predetermined limit.

IRS's plans state that the examination component of NRP will be subject to reviews both while the examinations are underway and after the examinations are complete. NRP managers will review ongoing examinations periodically. Also, all cases will be subject to IRS's regular quality review steps for all examinations, as well as a special review conducted by NRP managers.

IRS will use the Report Generation Software (RGS) system to capture NRP results. Included in the database of NRP results will be examiners' determinations of the reasons for any noncompliance that they found. IRS examiners will use the RGS menu of 46 reason codes to categorize reasons for taxpayer noncompliance.⁹ NRP examiners will also prepare electronic workpapers that will be attached to each RGS case file to aid researchers using the NRP database. The RGS case files, including these workpapers, will be archived in a database.

NRP Data Analysis Plan

The NRP Office has drafted a plan to guide the usage of data gathered in NRP classification and examination. IRS specifies how NRP data will allow the agency to conduct the following four broad categories of analysis that IRS describes as both critical to the IRS mission and not possible using alternative data sources:

- Measure overall compliance (the voluntary reporting rate¹⁰ and the underreporting portion of the tax gap).
- Update existing audit selection and resource allocation systems and develop new ones.
- Estimate impact on compliance and revenue of legislative and administrative changes.
- Identify potential ways to improve voluntary compliance.

⁹ Reason codes are used by examiners to identify the causes of incorrect information on tax returns. The 46 codes are divided into six categories and include codes for computational mistakes, bad information from a tax preparer, and intentional misrepresentation.

¹⁰ IRS describes the voluntary reporting rate as the accuracy of the information taxpayers report on their timely filed returns. IRS defines it as equal to 100 multiplied by the total tax reported on timely filed returns divided by the sum of the total tax reported plus the estimate of tax misreported.

The plan also outlines specific uses of NRP results by IRS's Office of Research and by the business operating divisions. For example, the Office of Research will focus on the development of compliance measures for the taxpayer population as a whole while the operating divisions will use NRP data to look at compliance issues for their specific customers. These measures are essentially based on a comparison of misreported amounts, by line item, with what the amounts should have been. In another example, IRS expects the operating divisions to be able to use information about the characteristics of specific pockets of noncompliance, including the causes of the noncompliance, to identify solutions. For example, if a large number of problems appear to be due to ignorance of IRS rules, the affected operating division could consider developing a new taxpayer education program.

The analysis plan also describes how the Small Business/Self-Employed division will use NRP data, for example, to identify differences in compliance in dissimilar geographical areas, by industry and by type of business organization. The Wage and Investment division plans to focus on other NRP data, such as the relationship between Earned Income Tax Credit returns that are filed on time and paid in full and those that are not.

NRP Is on Track To Meet Objectives, but Critical Cadre Development and NRP Testing Steps Remain

Based on our assessment of NRP in light of government guidance on performance measurement and data reliability, IRS appears likely to meet the objectives the agency has set for NRP. IRS has designed NRP to meet the agency's need for up-to-date reporting compliance data, including overall compliance rate information, data to support updating audit selection formulas, and information on specific pockets of noncompliance. At the same time, IRS has included several features in NRP that will meet the important goal of minimizing NRP's intrusiveness and the burden on taxpayers whose returns are in the NRP sample. IRS has made substantial progress towards the implementation of NRP, though important steps remain to be completed.

Successful NRP Implementation Should Provide the Data IRS Needs

IRS designed NRP to address its need for up-to-date reporting of compliance research data. The sample is of sufficient size to meet both IRS's need for information about the Form 1040 filing population in general and specific information about particular types of filers. The data IRS plans to capture includes the sort of detailed information that the agency will need to determine overall compliance levels, update selection formulas, and identify specific compliance problems. IRS has developed appropriate quality assurance mechanisms for NRP data collection, and its

data analysis plan appropriately shows how IRS is to use the data it collects. If implemented as planned, NRP should produce sound, objective, and reliable performance data in accord with government guidance on performance measurement and data reliability.

We evaluated the NRP sampling plan and found that the design is appropriate to meet IRS' goals of producing a measure of voluntary compliance and development of return selection formulas. The sample of about 49,000 returns is designed to be representative of the population of about 129 million Form 1040 returns. The sample is stratified by type of return and amount of income, and we found that the sample is reasonably designed for making compliance measures for the taxpayer population as a whole and for subgroups of taxpayers. Also, the sample is stratified to provide adequate data for developing return selection formulas for examinations of Small Business/Self Employed returns and high-income Wage and Investment returns.¹¹

The amount of data IRS plans to capture should be sufficient to identify specific compliance issues. NRP plans include capturing information about discrepancies between amounts reported on returns and what those amounts should have been, regardless of the size of the difference. The plans also specify that examiners are to determine the reasons for any noncompliance that they find – an improvement over past compliance data that could prove very useful to users of NRP data. IRS also plans to ensure that all workpapers developed by NRP examiners be prepared in electronic format and included in the NRP database. This represents another improvement over past compliance research efforts and should provide a valuable source of information for researchers and other users of NRP data.

IRS has also included quality assurance mechanisms in NRP to help ensure that the data collected is complete and accurate. For example, IRS will have supervisors review all “accept as filed” classification decisions and a sample of decisions to send returns for either correspondence or face-to-face audits, providing assurance that classification decisions will be made accurately and consistently. This corresponds with both IRS's NRP goal of

¹¹ We have evaluated IRS sample design by reviewing the documentation of its goals and plans for sampling as of May 2002. Contractor reviews may result in further adjustments to either overall or stratum-specific sample sizes. While some changes might be made, we do not expect the changes to the final size or fundamental design of the sample to be substantial.

getting accurate data as well as general research design principles. NRP's use of line-by-line audits to calibrate the program's results also provides a useful check on the accuracy of the classification process. The NRP guidelines also include procedures to check the quality of examination decisions, including the use of the Examination Quality Management System, which IRS uses for enforcement audits, and additional quality review steps developed specifically for NRP.

One characteristic of good research designs is that they have a detailed analysis plan ensuring that study objectives are met with appropriate data. The NRP data analysis plan meets this criterion because it describes IRS's goals for this research and how it will make appropriate use of the data NRP generates. The plan describes how NRP data will enable IRS to meet each of the four objectives it has laid out — measure overall reporting compliance, update existing audit selection and resource allocation systems and develop new ones, estimate impact on compliance and revenue of legislative and administrative changes, and identify potential ways to improve voluntary compliance. The plan includes specific questions that the Office of Research and the business operating divisions will be able to answer using the data generated by NRP. For example, the plan describes how IRS will be able to use NRP data to identify potential causes of noncompliance, which can be used to develop programs to reduce the incidence of noncompliance. Such research into the causes of noncompliance should be enhanced by NRP's inclusion of reason codes and electronic workpapers in the NRP database.

As Planned, NRP Implementation Should Entail Minimal Taxpayer Burden

IRS has included important features in NRP that will minimize the time, expense, and overall intrusiveness associated with taxpayer contacts under the program. IRS has set minimizing taxpayer burden as one of the guiding principles of NRP, and its plans show that it has met that goal through (1) the use of IRS and third-party information to minimize the amount of information requested of taxpayers, (2) the development of classification guidelines to ensure that taxpayer contacts are limited to auditing only those line items on returns that cannot be verified without an audit, and (3) the development of a specially trained cadre of examiners to carry out NRP audits.

By using information it has in its own files plus data from third-party sources, IRS has taken a substantial step towards minimizing the intrusiveness of the audits that will take place under NRP. By reviewing as much information as is available without taxpayer contact, IRS will eliminate the need for some taxpayers to be contacted at all, while others

only will be asked to verify information that cannot be verified any other way. To ensure that casebuilding tools are used properly, IRS has drafted training materials and Internal Revenue Manual sections that describe the various casebuilding tools and their uses. We reviewed these documents and found that they meet the overall NRP design concept and goals set by IRS to minimize taxpayer burden.

The decision not to audit every line on every return but, instead, classify the returns in the NRP sample to determine what needs to be verified also represents a substantial change from past compliance research efforts and an important step towards IRS's goal of minimizing the impact on taxpayers in the NRP sample. Our assessment of IRS's quality review procedures, draft training material, and draft Internal Revenue Manual sections on the processes and procedures to be used in classifying returns showed that, if properly implemented, they should aid classifiers in correctly determining which of the three-taxpayer contact categories returns should be placed. These decisions are vital to minimizing taxpayer burden.

The NRP cadre is another important element of IRS's ability to minimize the burden associated with taxpayer contacts under NRP. IRS has defined what it wants from a cadre of examiners – specifically that these staff be experienced, well-trained, and supplied with appropriate information, tools, and management support. The NRP cadre training materials and plans that we reviewed are sufficiently detailed to meet the goals IRS has spelled out for NRP, in particular that the cadre be prepared to keep the intrusiveness of NRP audits to a minimum and otherwise make the necessary distinctions between regular enforcement audit procedures and procedures specific to NRP.

IRS Has Made Progress Towards Successfully Implementing NRP, but Important Steps Remain

IRS's progress so far indicates that the agency is on track to complete its development of NRP and begin auditing taxpayers under the program in late 2002, though not necessarily by the currently scheduled date of October 1, 2002. However, important work remains for IRS to complete before the agency can be confident that NRP will successfully generate the reporting compliance data it needs. Specifically, IRS needs to select and train a cadre of examiners to conduct NRP, complete testing NRP classification processes before they are implemented, and test the suitability of existing IRS information systems to capture and store NRP data.

IRS Has Made Substantial Progress Towards Implementation

IRS met its goal to finalize its sample design by early February 2002. The agency needed its sample defined by that date in order to make sure that returns in the NRP sample were not selected for enforcement audits or for other research efforts, and to be able to separate returns after they were processed normally but before they were shipped off to storage. IRS met this deadline and is currently identifying and setting aside returns for NRP. The remaining work for IRS related to the NRP sample is for the agency to continue identifying and retrieving the returns selected for NRP.

IRS has substantially completed the tasks associated with developing guidelines and training materials for casebuilding, classification, and examination of returns in the NRP sample. We assessed these guidelines and training materials and found that they meet the overall NRP design concept and goals set by IRS and general research design and data quality standards.

Examiners Not Yet Selected and Trained

According to IRS, plans for how it will identify the cadre of examiners to conduct NRP are complete but have not been implemented. However, important deadlines requiring a trained cadre are quickly approaching. The current NRP plan indicates that, as of May 2002, selecting the cadre should already be complete and cadre training should already be underway, but IRS has not met these milestones. Having the right people to perform NRP classification and examination tasks is very important. IRS's plans for NRP and general research program design principles point to the importance of consistency and accuracy in all aspects of a research program like NRP, and the experience and commitment of the NRP cadre is an important part of ensuring this consistency and accuracy. Taxpayer contacts will also be of critical importance to how this program is perceived by the public and, again, having the right people in the examiner cadre will have much to do with the public's acceptance of NRP.

IRS now plans to begin training the NRP cadre in August 2002. This may impact IRS's ability to begin classifying returns in August 2002. This may also mean that IRS may not meet the currently scheduled date of October 1, 2002, to begin taxpayer contacts. IRS officials pointed out both that this date may not be met, but also that the overall goals of the program will not suffer if taxpayer contacts start later in the year. The officials noted that it is more important to make sure that the design, testing, and implementation of NRP be complete before taxpayers are contacted than it is that IRS meet a self-imposed deadline.

Casebuilding and Classification Testing Not Yet Completed

IRS recognized that it needs to test its NRP procedures, particularly as they relate to casebuilding and classification, and to modify procedures

based on what those tests show. IRS has completed two tests of NRP casebuilding and classification procedures, but has extended the date of an important pre-implementation test to a date close to the start of the actual implementation of these steps.

IRS has conducted two tests of NRP casebuilding and classification procedures. In October 2001, IRS conducted a preliminary classification process test to aid in the development of classification guidelines, including the use of casebuilding tools. The test consisted of two phases—one making classification decisions without the use of casebuilding tools and the other using casebuilding tools. The test results indicated that casebuilding tools were useful in detecting misreported income, but that specific guidelines were needed for using the tools and for making classification decisions regardless of the amount of misreporting found. A second test, conducted in early May 2002, was done on 30 previously audited returns that were part of a tax year 1999 EITC compliance study. This test was to assess draft classification guidelines and to test for consistency among classifiers. The test resulted in changes to training materials and classification guidelines.

IRS plans to do additional pre-implementation evaluations of the NRP casebuilding and classification process, but only a very limited evaluation of this process using actual audited returns. The agency plans to conduct an additional test in July 2002 using unaudited returns as was done in the October 2001 test, as well as some previously audited EITC returns. The July 2002 test will involve actual NRP processes in order to provide IRS with an opportunity to make final adjustments to those processes prior to NRP implementation. One of the purposes of this test is to determine whether the classification guidelines will result in consistent classification decisions among classifiers. To test the guidelines, more than one classifier will classify each return and the results will be compared. IRS expects that this test will allow it to make changes to the guidelines so that more consistent classification decisions are made. Since most of the returns used in the test will have not been previously audited, the results give IRS little assurance that, even collectively, the classification decisions are correct but only that the decisions were consistent. Testing the NRP classification process using previously audited returns would allow a comparison of classification results with actual audit findings. As in the May 2002 test, such a test using a small number of recently audited returns would give IRS more assurance that NRP classification will result in correct decisions.

Another part of the July 2002 test will entail classifying a larger group of the previously audited EITC compliance study returns that were used in the May test. The primary purpose of this test will be as a pre-test of an analysis planned for later in the year when final NRP processes are applied to a sample of previously audited EITC returns. That analysis will provide a basis for a decision whether NRP will be a suitable substitute for separate EITC compliance research studies and, if so, what adjustments need to be made to NRP results to make them comparable to the EITC compliance studies. The July 2002 pre-test will also provide a check on classification accuracy for this particular type of return, but these only represent a small portion of the NRP sample.

Until IRS completes its July classification test, it cannot update its classification guidelines and procedures or train the staff who are to classify the returns. Depending on the results of the test and the number and types of changes that may have to be made to the classification procedures, IRS may not be in a position to begin classifying returns in August, as planned.

Information Systems Testing Not Yet Completed

IRS plans to use its existing information systems to capture and store the data generated by NRP. Modifications to these systems—RGS and the Examination Operational Automated Database—are planned in order to support NRP. IRS plans to evaluate the suitability of these systems for these purposes, but has not yet completed these evaluations. Identifying information system issues early enough to deal with them before NRP is implemented will permit the rest of NRP's processes to run more smoothly than if problems are encountered later. IRS management told us that they have made implementing any information system changes needed to support NRP a top priority for the agency.

Conclusions

IRS needs accurate and up-to-date information on taxpayers' compliance with the tax laws in order to help it understand the effectiveness of its programs to promote and enforce compliance and target its enforcement audits on noncompliant returns. The design of NRP addresses this need while limiting the burden imposed on taxpayers selected for NRP reviews.

IRS has been taking steps to implement NRP and, while it may not meet the October 1, 2002, date in its current schedule, it is currently on track to begin contacting taxpayers, when necessary, in late 2002. Because of the risk of increasing taxpayer burden, we agree with IRS that it is more important that design, testing, and implementation of NRP be complete before taxpayers are contacted, than it is that the agency meet a self-

imposed deadline. While IRS has shown flexibility about the date to begin taxpayer contacts, the interim milestone for beginning to classify returns remains fixed at August 2002. Adhering to this milestone may pose problems because NRP plans call for several sequential steps to be completed before classification begins. Although IRS's plans call for completing these steps, there may not be sufficient time to complete them, in their proper sequence, before August 2002. Specifically, testing and modifying casebuilding and classification procedures must be finished before NRP examiners can be trained in the finalized procedures. Such tests will be most useful if they include the classification of some recently audited returns. In addition, IRS must select and then train the cadre of NRP examiners. While completing these steps before classification begins will not guarantee successful NRP implementation, it would provide added assurance that implementation will proceed smoothly.

Recommendations for Executive Action

We recommend that the Commissioner of Internal Revenue:

- Ensure that testing and modification of NRP casebuilding and classification procedures is complete before IRS begins cadre training, classifying NRP returns, or making any taxpayer contacts. IRS should use some previously audited, non-EITC tax returns to evaluate NRP classification procedures and classifier training; and
- Implement plans to select and appropriately train the cadre of examiners and other staff before NRP classification begins.

Agency Comments

On June 18, 2002, we received written comments on a draft of this report from the Commissioner of Internal Revenue (see app. III). The commissioner agreed with our recommendations as they concern the completion of NRP process testing, cadre selection, and cadre training prior to the start NRP casebuilding and classification. He expressed IRS's commitment to not compromising the quality of the program in order to meet the agency's scheduled date for commencement of taxpayer contacts under NRP. The commissioner also noted that draft reports from the two contractors evaluating the NRP sample indicate that the sample is valid for IRS's goals of precision and workload selection development.

The commissioner expressed concern with our recommendation that IRS use previously audited, non-EITC returns in the final stages of NRP casebuilding and classification testing. Specifically, he noted that IRS would not be able to produce all of the casebuilding data that relate to previously audited, non-EITC returns, and that IRS would not have a clear understanding of why the non-EITC returns were selected for audit and

what guidance the examiners were given in conducting the audits. We agree that these are issues that a full-scale evaluation of NRP using previously audited returns would have to address. In subsequent discussions with IRS's Director of Research, Analysis and Statistics, the senior IRS official responsible for NRP, we pointed out that our recommendation was not for IRS to conduct a full-scale evaluation of NRP, but for a smaller review of some previously audit returns. As we note in the report, a small test, such as the one IRS conducted in May 2002 using 30 previously audited EITC returns, would give IRS more assurance that NRP classification will result in correct decisions. The Director of Research, Analysis and Statistics agreed that such a test using non-EITC returns would be feasible and useful and that IRS will conduct the test before beginning taxpayer contacts.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. At that time, we will send copies of this report to the Secretary of the Treasury, the Commissioner of Internal Revenue, and other interested parties. The report is also available at no charge on the GAO web site at <http://www.gao.gov>.

If you or any of your staff have any questions, please contact Ralph Block at (415) 904-2150 or me at (202) 512-9110. Key contributors to this assignment were Wendy Ahmed, Jeffrey Baldwin-Bott, and David Lewis.

A handwritten signature in black ink, appearing to read "James R. White".

James R. White
Director, Tax Issues

Appendix I: GAO Products Related to Measuring Voluntary Compliance

GAO report	Summary
Tax Administration: IRS' Plans to Measure Tax Compliance Can Be Improved. GAO/GGD-93-52 . (Washington, D.C.: April 5, 1993)	Summarizes uses of Taxpayer Compliance Measurement Program (TCMP) data and outlines who uses the data. Identifies weaknesses of proposed changes and establishes criteria for evaluating proposed changes to measures of voluntary compliance.
Tax Compliance: Status of the Tax Year 1994 Compliance Measurement Program. GAO/GGD-95-39 . (Washington, D.C.: December 30, 1994)	Summarizes IRS's plans for the 1994 TCMP and discusses promising changes. Identifies several weaknesses in the plan that the Internal Revenue Service (IRS) needs to fix before implementing the project.
Tax Compliance: 1994 Taxpayer Compliance Measurement Program. GAO/T-GGD-95-207 . (Washington, D.C.: July 18, 1995)	Testimony on 1994 TCMP before the House Subcommittee on Oversight, Committee on Ways and Means. Discusses uses of TCMP data and status of planned 1994 TCMP effort. Discusses some of the criticisms of TCMP. Identifies GAO reports where TCMP data were used.
Letter to the Commissioner on TCMP Errors. GAO/GGD-95-199R . (Washington, D.C.: July 19, 1995)	Summarizes errors in audits for 1988 TCMP and suggests changes to codes to be used to categorize the cause of noncompliance for the planned 1994 TCMP project.
Tax Administration: Information on IRS' Taxpayer Compliance Measurement Program. GAO/GGD-96-21 . (Washington, D.C.: October 6, 1995)	Follow-up on issues raised in our December 1994 report concerning timeliness and the types of data IRS planned to gather for TCMP audits. Also, briefly discusses other sources of data on voluntary compliance and the relevance of TCMP data for alternative tax system proposals. Indicates how IRS responded to our recommendations.
Tax Administration: Alternative Strategies to Obtain Compliance Data. GAO/GGD-96-89 . Apr. 26, 1996. (Washington, D.C.: April 26, 1996)	Summarizes the problems caused by cancellation of the 1994 TCMP project. This report also identifies sampling strategies that will reduce the sample size and still provide some data.
Tax Administration: Status of IRS Efforts to Develop Measures of Voluntary Compliance. GAO-01-535 . (Washington, D.C.: June 18, 2001)	Describes IRS's efforts to develop new voluntary compliance measures. Also discusses how federal agencies besides IRS assess compliance with the rules and regulations governing their programs.

Appendix II: NRP Sample

The Internal Revenue Service (IRS) designed a sample of 49,251 returns from the population of Form 1040 tax returns filed for tax year 2001. These include returns from wage earners and from self-employed individuals filing Schedule C and farmers filing Schedule F. IRS developed a representative sample, then added returns to increase the precision of NRP results. Included with these additional returns are about 18,000 added to increase the likelihood that there would be enough returns to provide a basis for developing new audit selection formulas. The NRP sample designers used past reporting compliance research results to derive an estimate of the percentage of returns that will likely need to be audited in each of the strata. The designers then used those estimates to add returns to the sample, intending to have at least 500 sufficiently high tax change returns in each grouping of strata that will likely require the development of a unique audit selection formula. Officials explained that the 500-return standard was used in past reporting compliance studies to develop audit selection formulas. The designers also said that they considered it important to apply the same standard in NRP.

The NRP sample is detailed in table 1.

Table 1: National Research Program Sample Design

NRP Sample design for individual taxpayers		Sample size to achieve precision requirement	Additional sample size to meet other IRS requirements	Total sample size
SB/SE Form 1040 filers				
Taxpayer description				
TPI ^a <\$100,000, no Schedule C		4,103	96	4,199
TPI <\$100,000, with Schedule C		2,901	452	3,353
TPI \$100K under \$250K, no Schedule C		2,208	51	2,259
TPI \$100K under \$250K, with Schedule C		1,037	244	1,281
TPI \$250K under \$1,000K, no Schedule C		1,110	344	1,454
TPI \$250K under \$1,000K, with Schedule C		436	2,112	2,548
TPI \$1000K and over, no Schedule C		479	257	736
TPI \$1000K and over, with Schedule C		138	228	366
Schedule C – TGR ^b < \$25K, AGI ^c < \$10K		353	130	483
Schedule C - TGR < \$25K, AGI >= \$10K		294	2,551	2,844
Schedule C - TGR \$25K under \$100K, AGI < \$25K		499	2,292	2,791
Schedule C - TGR \$25K under \$100K, AGI >= \$25K		1,095	26	1,120
Schedule C - TGR \$100K under \$250K, AGI < \$50K		308	3,852	4,159
Schedule C - TGR \$100K under \$250K, AGI >= \$50K		637	15	652
Schedule C - TGR \$250K under \$1,000K, AGI < \$100K		221	2,068	2,290
Schedule C - TGR \$250K under \$1,000K, AGI >= \$100K		342	18	360
Schedule C - TGR \$1,000K and over		321	7	329
Schedule F - TGR <\$1,000K and AGI <\$25K		73	654	727
Schedule F - TGR <\$1,000K and AGI >=\$25K		193	2,758	2,951
Schedule F - TGR >= \$1,000K		12	156	168
Total SB/SE returns		16,760	18,311	35,069
Wage and investment Form 1040 filers				
1040A Type, TPI < \$25K, AGI <\$10K		557	835	1,392
1040A Type, TPI < \$25K, AGI >=\$10K		1,346	218	1,563
Non-1040A Type, TPI < \$25K, AGI <\$10K		340	41	380
Non-1040A Type, TPI < \$25K, AGI >=\$10K		543	72	614
TPI \$25K Under \$50K, AGI < \$25K		22	1	22
TPI \$25K Under \$50K, AGI >= \$25K		3,102	72	3,174
TPI \$50K Under \$100K		2,938	68	3,006
TPI \$100K Under \$250K		1,023	219	1,242
TPI \$250K Under \$1,000K		172	1,899	2,071
TPI \$1,000K and over		29	686	716
Total wage and investment returns		10,070	4,111	14,182
Total—All Form 1040 filers		26,830	22,421	49,251

Note: Some row and column totals do not add up due to rounding.

^aTPI= Total Positive Income (sum of positive income amounts reported by the taxpayer)

Appendix II: NRP Sample

^bTGR = Total Gross Receipts (sum of Schedule C and Schedule F gross receipts amounts).

^cAGI = Adjusted Gross Income.

Appendix III: Comments from the Internal Revenue Service



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20548

June 18, 2002

Mr. James R. White
Director, Tax Issues
United States General Accounting Office
Washington, DC 20548

Dear Mr. White:

I have reviewed your draft report to the Chairman and Ranking Minority Member of the Senate Committee on Finance titled "Tax Administration: New Compliance Research Effort On Track, but Important Work Remains."

Our approach to measuring compliance minimizes the burden on taxpayers by shifting a substantial portion of the burden of data collection from taxpayers to the IRS. The comments you shared helped us make decisions that directly respond to the concerns of our stakeholders and improve our ability to deliver quality voluntary compliance measures.

Establishing and maintaining a compliance measurement program that employs reliable processes and systems, minimizes taxpayer burden, and delivers quality results is a major priority at the IRS. Although our current plans call for audits beginning in October 2002, we will not compromise the quality of the program in order to meet this target date. We will continue with all of our scheduled pre-implementation testing and will use the results of the tests to make any necessary refinements to the program. Therefore, we will complete the testing of casebuilding, classification procedures, and our computer and information systems prior to contacting taxpayers.

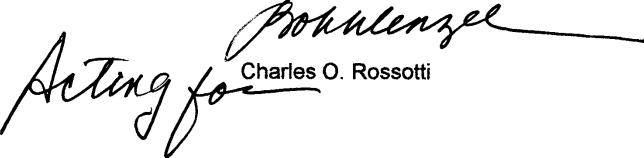
We agree that, ideally, we should use previously audited tax returns to evaluate the NRP classification procedures and classifier training. We are planning to do this using a sample of previously audited EITC Compliance Study tax returns. However, two existing conditions make the use of other previously audited tax returns problematic. First, we would not be able to produce all of the case building tools that relate to each of the audited tax returns. Second, unlike the EITC Compliance Study tax returns, we would not have a clear understanding of why examiners selected the returns for audit and what specific guidance they may have received prior to conducting the audits. Given these conditions, we do not believe an evaluation based on previously audited returns would add value to the process.

I approved plans for identifying and training the cadre of examiners and other staff in late May. As soon as our work with NTEU to resolve any labor relations issues is complete, the Small Business/Self-Employed operating division will designate examiner groups based primarily on the geographic fall-out of NRP cases. We will train all examiners and other staff participating in NRP before they take on their responsibilities. The case building and classification procedures and guidelines will be ready for the July simulation and assessment, allowing sufficient time to make any resulting adjustments and reproduce the materials for training in August.

Finally, we received draft reports of the NRP sample design evaluations from two contractors. Both reports indicate the sample design to be valid for achieving our goals of precision and workload selection development.

I appreciate your feedback and welcome your continued review and support of our efforts to measure voluntary compliance.

Sincerely,


Charles O. Rossotti

GAO's Mission

The General Accounting Office, the investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to daily E-mail alert for newly released products" under the GAO Reports heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, managing director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548